

Budimex Spółka Akcyjna

## A statement on the company's compliance with the corporate governance recommendations and principles contained in Best Practice for GPW Listed Companies 2016

According to the current status of compliance with the Best Practice, the Company does not apply 1 recommendations: IV.R.2.

### I. Disclosure Policy, Investor Communications

**Listed companies should ensure adequate communications with investors and analysts by pursuing a transparent and effective disclosure policy. To this end, they should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.**

#### Recommendations

- I.R.1.** Where a company becomes aware that untrue information is disseminated in the media, which significantly affects its evaluation, it should immediately publish on its website a communiqué containing its position on such information, unless in the opinion of the company the nature of such information and the circumstances of its publication give reasons to follow a more adequate solution.  
*The principle is applied.*
- I.R.2.** Where a company pursues sponsorship, charity or other similar activities, it should publish information about the relevant policy in its annual activity report.  
*The principle is applied.*
- I.R.3.** Companies should allow investors and analysts to ask questions and receive explanations - subject to prohibitions defined in the applicable legislation - on topics of their interest. This recommendation may be implemented through open meetings with investors and analysts or in other formats allowed by a company.  
*The principle is applied.*
- I.R.4.** Companies should use best efforts, including taking all steps well in advance as necessary to prepare a periodic report, to allow investors to review their financial results as soon as possible after the end of a reporting period.  
*The principle is applied.*

#### Detailed principles

- I.Z.1.** A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:
- I.Z.1.1.** basic corporate documents, in particular the company's articles of association;  
*The principle is applied.*
  - I.Z.1.2.** the full names of the members of its management board and supervisory board and the professional CVs of the members of these bodies including information on the fulfilment of the criteria of independence by members of the supervisory board;  
*The principle is applied.*
  - I.Z.1.3.** a chart showing the division of duties and responsibilities among members of the management board drawn up according to principle II.Z.1;  
*The principle is applied.*
  - I.Z.1.4.** the current structure of shareholders indicating those shareholders that hold at least 5% of the total vote in the company according to information provided to the company by shareholders under the applicable legislation;  
*The principle is applied.*
  - I.Z.1.5.** current and periodic reports, prospectuses and information memoranda with annexes, published by the company at least

in the last 5 years;

*The principle is applied.*

**I.Z.1.6.** information on the dates of corporate events leading to the acquisition or limitation of rights of a shareholder, information on the dates of publication of financial reports and other events relevant to investors, within a timeframe enabling investors to make investment decisions;

*The principle is applied.*

**I.Z.1.7.** information materials published by the company concerning the company's strategy and its financial results;

*The principle is applied.*

**I.Z.1.8.** selected financial data of the company for the last 5 years of business in a format enabling the recipient to process such data;

*The principle is applied.*

**I.Z.1.9.** information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date, the dividend payment date and the dividend amount, in aggregate and per share;

*The principle is applied.*

**I.Z.1.10.** financial projections, if the company has decided to publish them, published at least in the last 5 years, including information about the degree of their implementation;

*The principle not applicable.*

**Comments of the Company:** *The Company did not take the decision on publication of financial forecasts.*

**I.Z.1.11.** information about the content of the company's internal rule of changing the company authorised to audit financial statements or information about the absence of such rule;

*The principle is applied.*

**I.Z.1.12.** a statement on compliance with the corporate governance principles contained in the last published annual report;

*The principle is applied.*

**I.Z.1.13.** a statement on the company's compliance with the corporate governance recommendations and principles contained herein, consistent with the information that the company should report under the applicable legislation;

*The principle is applied.*

**I.Z.1.14.** materials provided to the general meeting, including assessments, reports and positions referred to in principle II.Z.10, tabled to the general meeting by the supervisory board;

*The principle is applied.*

**I.Z.1.15.** information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish the explanation of its decision on its website;

*The principle is applied.*

**I.Z.1.16.** information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting;

*The principle is applied.*

**I.Z.1.17.** justification of draft resolutions of the general meeting concerning issues and determinations which are relevant to or may give rise to doubts of shareholders, within a timeframe enabling participants of the general meeting to review them and pass the resolution with adequate understanding;

*The principle is applied.*

**I.Z.1.18.** information about the reasons for cancellation of a general meeting, change of its date or agenda, and information about breaks in a general meeting and the grounds of those breaks;

*The principle is applied.*

**I.Z.1.19.** shareholders' questions asked to the management board pursuant to Article 428 § 1 or § 6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13;

*The principle is applied.*

**I.Z.1.20.** an audio or video recording of a general meeting;

*The principle is applied.*

**I.Z.1.21.** contact details of the company's investor relations officers including the full name and e-mail address or telephone number.

*The principle is applied.*

**I.Z.2.** A company whose shares participate in the exchange index WIG20 or mWIG40 should ensure that its website is also available in English, at least to the extent described in principle I.Z.1. This principle should also be followed by companies not participating in these indices if so required by the structure of their shareholders or the nature and scope of their activity

*The principle is applied.*

## **II. Management Board, Supervisory Board**

**A listed company is managed by its management board, whose members act in the interest of the company and are responsible for its activity. The management board is responsible among others for the company's leadership, engagement in setting and implementing its strategic objectives, and ensuring the company's efficiency and safety.**

**A company is supervised by an effective and competent supervisory board. Supervisory Board members act in the interest of the company and follow their independent opinions and judgement. The supervisory board in particular issues opinions on the company's strategy, verifies the work of the management board in pursuit of defined strategic objectives, and monitors the company's performance.**

## **Recommendations**

- II.R.1.** To ensure the highest standards of the management board and the supervisory board of a company in efficient fulfilment of their obligations, the management board and the supervisory board should have members who represent high qualifications and experience.  
*The principle is applied.*
- II.R.2.** Decisions to elect members of the management board or the supervisory board of a company should ensure that the composition of these bodies is comprehensive and diverse among others in terms of gender, education, age and professional experience.  
*The principle is applied.*
- II.R.3.** Functions on the management board of a company should be the main area of the professional activity of management board members. Additional professional activities of management board members must not require so much time and effort that they could adversely affect proper performance of functions in the company. In particular, management board members should not be members of governing bodies of other entities if the time devoted to functions in such other entities prevents their proper performance in the company.  
*The principle is applied.*
- II.R.4.** Supervisory board members must be able to devote the time necessary to perform their duties.  
*The principle is applied.*
- II.R.5.** If a supervisory board member resigns or is unable to perform his or her functions, the company should immediately take steps necessary to ensure substitution or replacement on the supervisory board.  
*The principle is applied.*
- II.R.6.** Being aware of the pending expiration of the term of office of management board members and their plans of further performance of functions on the management board, the supervisory board should take steps in advance to ensure efficient operation of the company's management board.  
*The principle is applied.*
- II.R.7.** A company should allow its supervisory board to use professional and independent advisory services necessary for the supervisory board to exercise effective supervision in the company. In its selection of the advisory service provider, the supervisory board should take into account the financial standing of the company.  
*The principle is applied.*

## **Detailed principles**

- II.Z.1.** The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website.  
*The principle is applied.*
- II.Z.2.** A company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.  
*The principle is applied.*
- II.Z.3.** At least two members of the supervisory board should meet the criteria of being independent referred to in principle II.Z.4.  
*The principle is applied.*
- II.Z.4.** Annex II to the European Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board applies to the independence criteria of supervisory board members. Irrespective of the provisions of point 1(b) of the said Annex, a person who is an employee of the company or its subsidiary or affiliate or has entered into a similar agreement with any of them cannot be deemed to meet the independence criteria. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this principle is an actual and significant relationship with any shareholder who holds at least 5% of the total vote in the company.  
*The principle is applied.*
- II.Z.5.** Each supervisory board member should provide the other members of the supervisory board as well as the company's management board with a statement of meeting the independence criteria referred to in principle II.Z.4.  
*The principle is applied.*
- II.Z.6.** The supervisory board should identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria should be presented by the supervisory board according to principle II.Z.10.2.  
*The principle is applied.*
- II.Z.7.** Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

*The principle is applied.*

- II.Z.8.** The chair of the audit committee should meet the independence criteria referred to in principle II.Z.4.  
*The principle is applied.*
- II.Z.9.** To enable the supervisory board to perform its duties, the company's management board should give the supervisory board access to information on matters concerning the company.  
*The principle is applied.*
- II.Z.10.** In addition to its responsibilities laid down in the legislation, the supervisory board should prepare and present to the ordinary general meeting once per year the following:
- II.Z.10.1.** an assessment of the company's standing including an assessment of the internal control, risk management and compliance systems and the internal audit function; such assessment should cover all significant controls, in particular financial reporting and operational controls;  
*The principle is applied.*
- II.Z.10.2.** a report on the activity of the supervisory board containing at least the following information:
- full names of the members of the supervisory board and its committees;
  - supervisory board members' fulfilment of the independence criteria;
  - number of meetings of the supervisory board and its committees in the reporting period;
  - self-assessment of the supervisory board;
- The principle is applied.*
- II.Z.10.3.** an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities;  
*The principle is applied.*
- II.Z.10.4.** an assessment of the rationality of the company's policy referred to in recommendation I.R.2 or information about the absence of such policy.  
*The principle is applied.*
- II.Z.11.** The supervisory board should review and issue opinions on matters to be decided in resolutions of the general meeting.  
*The principle is applied.*

### **III. Internal Systems and Functions**

**Listed companies should maintain efficient internal control, risk management and compliance systems and an efficient internal audit function adequate to the size of the company and the type and scale of its activity.**

#### **Recommendations**

- III.R.1.** The company's structure should include separate units responsible for the performance of tasks in individual systems or functions, unless the separation of such units is not justified by the size or type of the company's activity.  
*The principle is applied.*

#### **Detailed principles**

- III.Z.1.** The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance systems and internal audit function.  
*The principle is applied.*
- III.Z.2.** Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.  
*The principle is applied.*
- III.Z.3.** The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.  
*The principle is applied.*

**Comments of the Company:** principle III.Z.3. in chapter III. Internal Systems and Functions (the independence of the person managing the internal audit function and other persons responsible for the performance of its tasks in line with generally accepted international standards of the professional internal audit practice), is applied by the Company in such a way that in accordance with the adopted division of competencies between individual bodies of the Company, the matters related to employing the Office of Internal Control staff, including their remuneration, are in the competencies of the Management Board of the Company, and the Audit Committee of the Supervisory Board monitors the efficiency of internal control systems and internal audit, i.e. the actions of the Office of Internal Control, is informed of the activity plan of internal audit, receives reports of these activities or periodical summaries from the Office of Internal Control, the employees of the Office of Internal Control are obliged to perform audits primarily at the request of the Supervisory Board and the Audit Committee of the Supervisory Board.

- III.Z.4.** The person responsible for internal audit (if the function is separated in the company) and the management board should report to the supervisory board at least once per year with their assessment of the efficiency of the systems and functions referred to in principle III.Z.1 and table a relevant report.  
*The principle is applied.*
- III.Z.5.** The supervisory board should monitor the efficiency of the systems and functions referred to in principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the efficiency of such systems and functions according to principle II.Z.10.1. Where the company has an audit committee, it should monitor the efficiency of the systems and functions referred to in principle III.Z.1, which however does not release the supervisory board from the annual assessment of the efficiency of such systems and functions.  
*The principle is applied.*
- III.Z.6.** Where the company has no separate internal audit function in its organisation, the audit committee (or the supervisory board if it performs the functions of the audit committee) should review on an annual basis whether such function needs to be separated.  
*The principle not applicable.*  
**Comments of the Company :** *The company separate organizational internal audit function.*

## **IV. General Meeting, Shareholder Relations**

**The management board and the supervisory board of a listed company should encourage the engagement of shareholders in matters of the company, in particular through active participation in the general meeting.**

**The general meeting should proceed by respecting the rights of shareholders and ensuring that passed resolutions do not infringe on reasonable interests of different groups of shareholders.**

**Shareholders who participate in a general meeting should exercise their rights in accordance with the rules of good conduct.**

### **Recommendations**

- IV.R.1.** Companies should strive to hold an ordinary general meeting as soon as possible after the publication of an annual report and set the date in keeping with the applicable legislation.  
*The principle is applied.*
- IV.R.2.** If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:
- 1) real-life broadcast of the general meeting;
  - 2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;
  - 3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.
- The principle is not applied.*  
**Comments of the Company :** *The Company does not provide the shareholders with: 1)two-way real-time communication process during which shareholders can take the floor during the General Meeting while being at a location other than the meeting venue — Recommendation No IV.R.2 item 2) in Chapter IV General Meeting and Shareholder Relations, 2)the option to exercise voting rights in person or through a proxy in the course of the General Meeting from a location other than the meeting venue of General Meeting, using electronic communications — Recommendation No IV.R.2 item 3) in Chapter IV General Meeting and Shareholder Relations. The Company upholds the previously presented position in relation to continued doubts as to the possibility of ensuring a legally safe manner of execution of the General Meeting if shareholders are granted the abovementioned option, in particular, taking into account the number of shareholders normally participating in the General Meeting of Budimex S.A. Therefore, in the opinion of the Company, such situation still bears technical, and in consequence legal threats to the correct and efficient execution of the General Meeting.*
- IV.R.3.** Where securities issued by a company are traded in different countries (or in different markets) and in different legal systems, the company should strive to ensure that corporate events related to the acquisition of rights by shareholders take place on the same dates in all the countries where such securities are traded.  
*The principle not applicable.*  
**Comments of the Company :** *Securities issued by the Company are traded only on Warsaw Stock Exchange (WSE) in Warsaw.*

### **Detailed principles**

- IV.Z.1.** Companies should set the place and date of a general meeting so as to enable the participation of the highest possible number of shareholders.  
*The principle is applied.*
- IV.Z.2.** If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.  
*The principle is applied.*
- IV.Z.3.** Presence of representatives of the media should be allowed at general meetings.  
*The principle is applied.*
- IV.Z.4.** If the management board becomes aware a general meeting being convened pursuant to Article 399 § 2 - 4 of the Commercial Companies Code, the management board should immediately take steps which it is required to take in order to organise and conduct the general

meeting. The foregoing applies also where a general meeting is convened under authority granted by the registration court according to Article 400 § 3 of the Commercial Companies Code.

*The principle is applied.*

**IV.Z.5.** The rules of general meetings and the method of conducting the meeting and adopting resolutions must not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules of the general meeting should take effect at the earliest as of the next general meeting.

*The principle is applied.*

**IV.Z.6.** Companies should strive to ensure that the cancellation of a general meeting, change of its date or break in its proceedings do not prevent or limit the exercising of the shareholders' rights to participate in the general meeting.

*The principle is applied.*

**IV.Z.7.** A break in the proceedings of the general meeting may only take place in special cases, defined at each time in the justification of the resolution announcing the break, drafted on the basis of reasons provided by the shareholder requesting the break.

*The principle is applied.*

**IV.Z.8.** A resolution of the general meeting announcing a break should clearly set the date and time when the proceedings recommence, and such date and time must not be a barrier for most shareholders, including minority shareholders, to participate in the continuation of the proceedings.

*The principle is applied.*

**IV.Z.9.** Companies should strive to ensure that draft resolutions of the general meeting contain a justification, if it helps shareholders to pass a resolution with adequate understanding. If a matter is put on the agenda of the general meeting at the request of a shareholder or shareholders, the management board or the chair of the general meeting should request presentation of the justification of the proposed resolution. In important matters and matters which may give rise to any doubt of shareholders, the company should provide a justification, unless it otherwise provides the shareholders with information necessary to pass a resolution with adequate understanding.

*The principle is applied.*

**IV.Z.10.** Any exercise of the rights of shareholders or the way in which they exercise their rights must not hinder the proper functioning of the governing bodies of the company.

*The principle is applied.*

**IV.Z.11.** Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.

*The principle is applied.*

**IV.Z.12.** The management board should present to participants of an ordinary general meeting the financial results of the company and other relevant information contained in the financial statements to be approved by the general meeting.

*The principle is applied.*

**IV.Z.13.** If a shareholder request information about the company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such decision pursuant to Article 428 § 2 or § 3 of the Commercial Companies Code

*The principle is applied.*

**IV.Z.14.** Resolutions of the general meeting should allow for a sufficient period of time between decisions causing specific corporate events and the date of determination of the rights of shareholders pursuant to such events.

*The principle is applied.*

**IV.Z.15.** A resolution of the general meeting concerning an issue of shares with subscription rights should specify the issue price or the mechanism of setting the price or authorise the competent governing body to set the price prior to the subscription right record date within the timeframe necessary for investors to make decisions.

*The principle is applied.*

**IV.Z.16.** The dividend record date and the dividend payment date should be set so as to ensure that the period between them is not longer than 15 business days. A longer period between these dates requires a justification.

*The principle is applied.*

**IV.Z.17.** A resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment takes place before the dividend record date.

*The principle is applied.*

**IV.Z.18.** A resolution of the general meeting to split the nominal value of shares should not set the new nominal value of the shares below PLN 0.50, which could result in a very low unit market value of the shares, and which could consequently pose a threat to the correct and reliable valuation of the company listed on the Exchange.

*The principle is applied.*

## **V. Conflict of Interest, Related Party Transactions**

**For the purpose of this Section, 'related party' is defined under the International Accounting Standards approved in Regulation No (EU) 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.**

**Companies should have in place transparent procedures for preventing conflicts of interest and related party transactions where a conflict of interest may occur. The procedures should provide for ways to identify, disclose and manage such cases.**

## **Recommendations**

- V.R.1.** Members of the management board and the supervisory board should refrain from professional or other activities which might cause a conflict of interest or adversely affect their reputation as members of the governing bodies of the company, and where a conflict of interest arises, immediately disclose it.  
*The principle is applied.*

## **Detailed principles**

- V.Z.1.** No shareholder should have preference over other shareholders in transactions concluded by the company with shareholders or their related parties.  
*The principle is applied.*
- V.Z.2.** Members of the management board or the supervisory board should notify the management board or the supervisory board, respectively, of any conflict of interest which has arisen or may arise, and should refrain from voting on a resolution on the issue which may give rise to such a conflict of interest in their case.  
*The principle is applied.*
- V.Z.3.** Members of the management board or the supervisory board must not accept any benefits which might affect their impartiality and objectivism in making decisions or reflect unfavourably on the assessment of the independence of their opinions or judgements.  
*The principle is applied.*
- V.Z.4.** Where a member of the management board or the supervisory board concludes that a decision of the management board or the supervisory board, respectively, is in conflict with the interest of the company, he or she may request that the minutes of the management board or the supervisory board meeting show his or her position.  
*The principle is applied.*
- V.Z.5.** Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total vote in the company or with a related party, the management board should request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board should evaluate the impact of the transaction on the interest of the company. The foregoing does not apply to typical transactions and transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interest of the company before the decision is made.  
*The principle is applied.*
- V.Z.6.** In its internal regulations, the company should define the criteria and circumstances under which a conflict of interest may arise in the company, as well as the rules of conduct where a conflict of interest has arisen or may arise. The company's internal regulations should among others provide for ways to prevent, identify and resolve conflicts of interest, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interest which has arisen or may arise.  
*The principle is applied.*

## **VI. Remuneration**

**A company should have a remuneration policy applicable at least to members of the company's governing bodies and key managers. The remuneration policy should in particular determine the form, structure, and method of determining the remuneration of members of the company's governing bodies and key managers.**

## **Recommendations**

- VI.R.1.** The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.  
*The principle is applied.*
- VI.R.2.** The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.  
*The principle is applied.*
- VI.R.3.** If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.  
*The principle is applied.*
- VI.R.4.** The remuneration levels of members of the management board and the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. Remuneration should be adequate to the scope of tasks delegated to individuals, taking into account additional functions, for instance on supervisory board

committees.  
*The principle is applied.*

## Detailed principles

**VI.Z.1.** Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

*The principle is applied.*

**VI.Z.2.** To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.

*The principle not applicable.*

**Comments of the Company:** *There is no incentive scheme with regard to options and other financial instruments relating to shares of Budimex S.A.*

**VI.Z.3.** The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

*The principle is applied.*

**VI.Z.4.** In this activity report, the company should report on the remuneration policy including at least the following:

- 1) general information about the company's remuneration system;
- 2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;
- 3) information about non-financial remuneration components due to each management board member and key manager;
- 4) significant amendments of the remuneration policy in the last financial year or information about their absence;
- 5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

*The principle is applied.*